
IMPACT OF NEW COUNTY FORMATION

May 1978

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PREFACE

In May, 1977, the Board of Supervisors, on motion of Supervisor Hayes, requested the Economy and Efficiency Commission to study and report to the Board on AB 333, legislation which would divide the County into two or more counties, and on the various secession movements now taking place or under consideration concerning this County.

In accordance with our usual practice the chairperson appointed a task force of commission members to work with the commission staff in conducting the study and preparing a report to the Board. During the course of the study the task force held a number of meetings to hear the views of proponents, opponents and other interested persons. These included Jack Baum, Carl Boyer, Robert Ryan, and Jim Walker, leaders of new county formation movements; Dr. Donald G. Hagman, Professor of Law at UCLA; Dr. John J. Kirlin, Associate Professor in the School of Public Administration and Director of the Public Policy Research Institute, Center for Public Affairs at USC; Gil Smith, Councilman from the City of Carson and President of the Los Angeles County Division of the League of California Cities; and Marguerite Ernstene, President, League of Women Voters of Los Angeles County. We thank them for their assistance.

Over the past several months the task force has also reviewed extensive data on the political, economic and social impact of new county formation.

This report contains the task force's conclusions and recommendation on the issue of secession. In a second report, which we plan to release within three months, we will evaluate legislative division of the County, consolidation proposals and other alternatives. The report will also contain specific recommendations for change.

I. SUMMARY OF CONCLUSIONS AND RECOMMENDATION

Radical revision of local government structure and financing is critically needed. The consequences of inaction on this issue are facing us now. Two secession movements and the Jarvis-Gann initiative will be on the June, 1978, ballot. A third secession movement has qualified for a later ballot, and at least two more strong secession movements are active in the community. Another Jarvis type revenue limitation initiative is being circulated. These movements reflect wide-spread public discontent and demand for change.

Workable solutions to the structural problems of local government have been known for years. They have been continually frustrated by contending interests who see any change as a threat and who are in a position to influence the decision-making process and course of action.

Proposed solutions like the Jarvis-Gann initiative and secession will not solve the problems and are likely to create more. Real tax relief is contingent on structural change. Until the public and public officials understand that improving governmental effectiveness and reducing costs require a thorough and extensive revision of the service programs themselves and of the governmental structure and systems used to provide them, we will have no meaningful reform.

This is the first of two reports addressing these problems. This report evaluates current proposals to solve the problem by secession from Los Angeles County. Our next report will evaluate alternative solutions, including legislative division of the County and consolidation proposals. It will also recommend specific actions to the Legislature, the Board of Supervisors, and other public officials.

In every instance we find that the various proposals to secede from Los Angeles County provide no responsible solution to the extremely serious problems affecting local government. We therefore recommend a NO vote June 6 on the proposals to form South Bay County and Peninsula County and on Canyon County when it appears on the ballot.

In the past year two proposals to form new counties in the South Bay area (South Bay County) and Palos Verdes Peninsula (Peninsula County) have qualified for a County-wide election on June 6. To pass, the proposals must receive support of a majority of the voters in both the new county areas and in the remaining County area. A third proposal for a new county in the northwest area of the County (Canyon County) has qualified for an election at a later date - November, 1978, or possibly later.

The people supporting these proposals, and those supporting similar movements in six other areas of the County, (see map p. 7) have lost hope of resolving the problems of local government within the current political structure. Leaders of new county formation movements identify the problems of local government in this region with Los Angeles County. They argue that the County is too large to be responsive, that it is too costly, that taxes are inequitable, and that those in power have consistently frustrated attempts at reform within the current system.

We agree that serious problems exist in the structure of local government. It is costly, unresponsive, unwieldy, poorly organized, and improperly financed. However, we do not agree that County government is the sole focus of the problem. We believe that formation of new counties would relieve few of the problems and would aggravate most of them.

The structure of county government in California, in relation to cities and other governmental agencies, is inadequate to address contemporary social and environmental problems effectively. The reason that the structure is inadequate is not the size of one unit - the County - but is, rather, the allocation of program responsibilities to levels of government which are not suited to them.

In the Los Angeles metropolitan region, in today's highly mobile and interdependent society, many services may be provided by any one or more of the following governmental agencies:

- 5 counties
- 145 cities
- 200 independent special districts
- 232 school districts
- 156 redevelopment agencies
- 90 joint power agencies
- 47 nonprofit corporations

Each of these 875 agencies operates within a rigidly defined territorial boundary. The entire system thus ignores the extensive interactions that develop because people in the region travel across it daily for business and recreation. The incredible complexity of coordinating the activities of all these independent agencies serving essentially the same population and addressing the same set of problems is one of the principal causes of governmental cost and ineffectiveness. Formation of new counties will merely add territorial units to an already severely unbalanced structure. The increased complexity and fragmentation can only add to the present confusion.

Many proponents of new county formation claim that their areas subsidize other areas of the County. They substantiate this claim by pointing out that

the taxes paid by residents of the area exceed the cost of services delivered there. In each case an array of selected facts from public budgeting and accounting documents is used to substantiate the claim.

What these proponents ignore is that all areas within the region supply social and economic benefits, both private and public, to other areas of the region. A true picture of the subsidy issue would have to account for the value of these benefits. For example, at least 84% of the employed residents of Peninsula County work in other areas of the region. Thus the governmental units operating in the areas through which they travel and in which they work provide them with police and fire protection, roads, sewerage and drainage systems, lighting, emergency medical care, and environmental protection. These services are extremely costly, but Peninsula residents pay little for them. Similarly, other proposed secession areas, including San Fernando and San Gabriel Valleys, depend in varying degrees on the central areas for employment.

In addition, people travel to other areas for shopping, medical and professional services, recreation, education and social affairs. As the Committee on Governmental Simplification pointed out in 1935, the region contains "A vast, wide-flung intermingling population whose goings and comings, whose economic and social relationships are oblivious to the political mosaic through which their common affairs are administered."

The residents of the region and their governments interact in many ways that are not accounted for in governmental budgetary and taxation systems. Yet proponents nowhere show the value of these interactions in their analysis. We have termed the aggregate of these interactions "regional interdependence," and have documented major elements. What this data shows is that the population

of the region, together with its industry and governments, comprise a single social and economic unit. We conclude that the subsidy argument is fallacious and a source of unnecessary division in our society.

Proponents of new county formation identify the lack of responsiveness of local government with the County and believe that smaller counties would increase responsiveness of the system as a whole. They are particularly vocal about the difficulty of access to County officials, about the failure to respond to a need for service on specific occasions and about the failure of governmental systems to solve such major social problems as crime and violence, transportation, environmental protection, and the ever-increasing cost of government.

In our view, there are three fundamental causes of unresponsiveness. First, regional governments, where access is difficult, perform poorly in the direct delivery of local municipal services. Second, intergovernmental relationships are so complex that it is difficult for the system to respond with timely and effective decisions on major issues involving a number of conflicting interests. Third, in many cases it is impossible to hold a single elected official or even a governing body accountable. New county formation will improve access to county government, but will increase the complexity of the overall system, and will do nothing to improve accountability.

New county formation not only fails to solve the basic structural and responsiveness problems of local government in metropolitan Los Angeles, it would also divide the society in our region into politically isolated enclaves of rich and poor. In so doing it would intensify some of the causes of financial crisis in older, central areas of the region. All of the new

county formation efforts so far proposed would mean the political separation of an affluent, low service need population in the suburbs from the poor, high service need population in the central city.

The secession movement represents the ultimate in the flight to the suburbs that we cited as one of the fundamental causes of financial crisis in New York City and that we warned Los Angeles to avoid. * New county formation would reorganize the County into a central county on which the surrounding suburbs would depend for jobs and associated government services, but to which they would no longer contribute except through Federal and State income transfer programs.

Population, employment, housing investment and real property valuation have declined in Los Angeles County relative to neighboring counties, while public assistance expenditures, unsound or aging housing, and property taxes have increased. That is, the growth in outlying areas is taking place at the expense of the central areas. Eventually, the central area will collapse financially, as New York City has, and the economic base of the entire region will decline.

The basic change needed in local government, therefore, is not to create new counties to feed off Los Angeles. Rather, what is vitally needed is a restructuring of governmental responsibilities and associated tax base to insure that all those who share in the social and economic benefits of the region also pay their share of its social and economic costs.

The following sections of this report provide a detailed analysis supporting our conclusions.

*The New York City Crisis and Los Angeles County Government, May, 1976

MAP GRAPHICS AVAILABLE ON HARD COPY

II. NEW COUNTY FORMATION PROPOSALS

In the past year, citizens and elected officials have initiated nine movements to form new counties out of segments of Los Angeles County. Three of these have qualified for a County-wide election, to follow the conclusion of a fact-finding study by a Governor's commission. Two proposals, South Bay County and Peninsula County, are on the June 6 ballot. A third proposal, Canyon County, has qualified for an election, and the Governor has recently appointed the County Formation Review Commission. It will go on the ballot in November, 1978, or possibly at a special election in 1979.

South Bay County consists of six cities and some unincorporated area along the beach front south of Los Angeles International Airport. Peninsula County consists of three cities on the Palos Verdes Peninsula in the southwest corner of the County. Canyon County consists of unincorporated territory in the northwest corner of Los Angeles County.

Three additional County formation movements failed to qualify for an election before more restrictive legislation on petition requirements took effect in January, 1978. These were 1) Chumash County, which consists of the Malibu Peninsula, 2) Santa Monica City-County, which consists of the City of Santa Monica, and 3) Los Cerritos County, which consists of the Cities of Long Beach and Signal Hill.

The remaining three of the nine new county movements are in initial planning stages, prior to circulating petitions. The first of these, San Fernando Valley City-County, would require new legislation, because current law prohibits dividing cities in the creation of new counties. As part of the City of Los Angeles, the San Fernando Valley would have to de-annex from the City

before circulating petitions for a new county. Consequently, new county formation will be deferred there until the law is changed or separation from the city is accomplished.

The second movement in initial planning stages is in the South Bay area, but is larger in size and population than the currently proposed South Bay County. South Bay II would consist of all the cities and unincorporated territory southwest of the City of Los Angeles, south of Inglewood. Proponents of this proposal for a new county are deferring action until the electorate has made its decision on South Bay and Peninsula Counties on June 6.

The third of these proposals would incorporate the San Gabriel Valley, including 28 cities and a large number of small unincorporated areas. To our knowledge, no formal efforts to circulate petitions has been initiated, and the proposal does not have the official backing of any agency, association of cities, or group. Nevertheless, it is a proposal which is discussed frequently in the area and on which some preliminary work has been done.

The leadership of the various new county formation movements have formed a coalition, the Association for the Reorganization of the County (ARC), to pursue their common objectives and to develop strategies to increase their joint possibility of success. They have also, as a group, sought various changes of law in Sacramento which would implement their proposals or variations of their proposal.

III. NEW COUNTY FORMATION - BASIC ISSUES

Whatever the particular proposal, secession from Los Angeles County involves five basic issues. They are 1) regional interdependence and subsidies, 2) responsiveness, 3) social impact, 4) regionalized services and 5) multi-county regions. In this section we discuss these issues, which are common to all proposals for new county formation. In Section IV we analyze each proposal individually.

Regional Interdependence and Subsidies

The idea of subsidies has been popularized recently at all governmental levels. Congressional representatives from "snowbelt" states claim that their constituents subsidize the "sunbelt" states. Supervisors and legislative representatives from Southern California claim that their constituents "subsidize" Northern California. Councilman Bernardi claims that the City of Los Angeles "subsidizes" the remainder of the County. Independent, full service cities claim that they "subsidize" contract cities, and all cities claim that they "subsidize" the unincorporated area. Finally, proponents of new county formation in many affluent areas point out that they subsidize" poor areas in and around the central city because tax revenues generated by the affluent exceed benefits to the residents of affluent areas. In each case an array of selected facts from public budgeting and accounting data is used to substantiate the claim.

The reasoning that identifies such subsidies may be correct as far as it goes. In some cases, the subsidy is identified in terms of net aggregates over several budgets and categories of expenditure, with the same result. But

the conclusion that these "subsidies" represent inequities is invalid, because this reasoning does not account for benefits that flow in the other direction, but are not reflected in accounting and budgetary documents.

It is true, for example, that residents of the affluent Palos Verdes Peninsula subsidize the remainder of the County when only the revenues and the costs of governmental services in that area are counted. The Peninsula generates taxes that are used for welfare services but few residents of the Peninsula receive these services. When direct services received by Peninsula residents from government are counted, such as cultural, recreational and health services, and environmental protection, the net dollar effect is still a subsidy from the Peninsula to the remainder, because the cost of these services to affluent areas appears to be lower than the cost of social welfare services to poor areas.

In other areas such as the Malibu Peninsula and Canyon County, the net dollar effect is more difficult to determine. Special needs of those areas, for extraordinary fire protection, roads, and development support, may be costly enough to balance the residents' contributions to welfare costs and reverse the flow of the subsidy.

The fallacy in the subsidy argument is that it fails to account for the economic goods and services which the remainder of the County provides to the secession areas, but which do not appear as public costs in budget documents. The documents do not show, for example, that a substantial portion of the residents of these areas work in the remainder. Thus they receive the benefit of such services as police and fire protection, roads, sewers, lighting, emergency medical care, and environmental protection, all extremely costly. They receive these benefits from the jurisdiction where they work and while they are in transit.

In fact, the availability of employment opportunities is contingent on governmental services in the area of employment, since industry could not locate and operate without basic governmental services. These services benefit the employee as much as the employer, but the employee who lives in a suburb pays little for them. Therefore, the taxpayers in the jurisdiction in which the employment is located subsidize the suburbs.

The effect of new county formation is to withdraw much of the tax contribution of the seceding area to the region, while leaving intact its dependence on the remainder of the region for jobs, economic activity, and associated governmental services. This conclusion would hold under any system of taxation. Governmental income from the secession areas would remain about the same regardless of whether its source is tax on property, income, or consumption. Since the secession areas depend on the region for their economic well being, it is misleading to argue that their net tax contribution is inequitable and ignore the value of these other benefits. We conclude that the subsidy argument is fallacious and unnecessarily divisive.

In Section IV we analyze this interdependence in detail for each secession proposal. While the basic principles hold in every case, we have analyzed each individually because some of these areas appear intuitively to be reasonably self-contained communities within metropolitan Los Angeles.

Responsiveness

Essentially, the proponents of secession have lost hope of resolving the problems of local and regional government within the current political structure. They identify the problems with Los Angeles County government. They attribute lack of responsiveness of the system to the County and believe that smaller counties would increase responsiveness of the system as a whole.

Proponents of new county formation are particularly vocal on two aspects of responsiveness, namely, access to elected officials and satisfaction of perceived needs. Access is especially important to those in unincorporated areas, where the County directly provides local services, such as building permits and inspection, zoning control, or police patrol. Residents of areas far from the County seat, such as the Canyon County area, complain that their access is limited physically by distance. To them, the only local government which serves them is remote. Access is also important to residents of cities, such as those in South Bay County, but its importance is reflected in city officials' dissatisfaction with County responsiveness.

The second aspect of responsiveness is the objective response of a government service to citizens' needs. Proponents of new county formation cite failures of highly visible components of the service system, when the failure has affected them individually, as concrete evidence of deficient responsiveness. Examples include the months it may take to process a building permit or check construction plans, the late arrival of a police unit responding to a call for help, the endless referral of an inquiry to other agencies, the rude behavior of a counter clerk, and the zoning decision that has adverse impact on community development in the view of affected groups. Unresponsiveness is also perceived in the inability of our governmental systems to resolve such social problems as poverty, education, unemployment, crime and violence, pollution, congestion, physical decay, transportation, and not the least, the ever increasing cost of government itself.

Public officials point out, correctly, that individual incidents in no way represent a norm. In addition, they say, statutes and mandates control what must be done, and therefore the length of time it takes to process a

permit. Police response time depends on how urgent the case is considered, as well as how busy the unit is at the time. This answer, while objectively true, is basically unresponsive. It tells the citizen not to expect redress from the closest units of government, cities and counties, but to look elsewhere.

We believe that the responsiveness problem is best understood in terms of two structural problems. The first is that massive regional scale governments, where access is difficult, perform poorly in the direct delivery of highly visible local municipal services. The only point in the local government delivery system where a citizen can reasonably expect to have timely access to elected officials is the small, community-based city government.

The County, in delivering local municipal type services directly to citizens of unincorporated areas, cannot reasonably guarantee access of even a fraction of the electorate. In addition to his or her responsibility for setting policy and managing regional and County-wide programs for constituents in cities and all areas of the County, a County supervisor must perform the duties of a city council representative in unincorporated areas.

Each County supervisor represents 1.4 million people and 600,000 voters. The number of voters per supervisor, in unincorporated area, ranges from 29,389 in the Fourth District (Supervisor Hayes) to 131,730 in the First District (Supervisor Schabarum). The average is 73,879 voters per supervisor. In contrast, a mid-sized city of 100,000, such as Inglewood, has 6,652 voters per council representative. The City of Long Beach has a nine-member council serving its 300,000 population. In Long Beach, each representative must respond to 18,160 voters. In the City of Los Angeles, which is, like the County, a massive regional government delivering municipal services, the

basic constituency of council representatives ranges from 45,775 voters in the 14th District (Councilman Snyder) to 114,777 voters in the 11th District (Councilman Braude).

Access to elected officials is severely limited in large regional governments. This fact has much more than mere theoretical significance. Responsible research has demonstrated repeatedly that the public's perception of responsiveness is most critical for visible local services and is strongly related to size of jurisdiction. Thus, proponents of new county formation in unincorporated areas, such as Canyon County, are correct in saying that their proposals will improve local responsiveness by diminishing access problems.

The second structural problem affecting responsiveness is not resolved or diminished by new county formation. Rather, it is amplified. New counties increase the number of intergovernmental relationships and the array of responsibilities divided among 875 separate units of government in the Los Angeles region. These relationships are so complex that citizens have difficulty determining which agency is responsible for a given service. This difficulty is compounded by the rigid territorial structure of the service delivery system, since the responsible jurisdiction changes as the citizen travels from place to place. As we emphasized in the summary, the problem of governmental responsiveness is not solely a failure of Los Angeles County government or an effect of its size. Rather, it is a problem of the entire system of city, county and district services.

This problem of complexity is not resolved by timely access to officials in small, community-based city governments. For example, citizens of the South Bay area are principally the residents of small community-based cities. Their council representatives respond to constituencies ranging from

a low of 260 voters in Rolling Hills to a high of 13,226 in Torrance. The average is 3,055 voters per city representative. But new county proponents in that area cite frustration with governmental responsiveness as a key reason for their belief that new county formation is necessary.

A city resident will contact city government first when confronted with a problem, regardless of which level of government provides the service. Few citizens have the time or energy to determine whether their own city, the 50 odd County departments or some other agency in the region is ultimately responsible for the service. The city government is the natural point of contact. Consequently, the city government must have immediate access to information in the County, and meaningful access to decision makers and elected officials in all agencies in the region. Because of the complexity of the system the city official may not be able to direct the citizen to the proper agency, let alone insure a timely and appropriate response.

New county formation will improve access to the county, but it will not reduce the complexity of the overall system. Residents of the new counties and their governments will be less able to influence the decision of governments that dominate the region - such as the City or County of Los Angeles - than they are now. In the short run, they will be better able to influence the decisions of multi-county regional agencies, such as the Southern California Association of Governments (SCAG), and the Air Quality Management District (AQMD), since they will have direct representation on the governing bodies. But in the long run, their presence will complicate the operations of these groups and hamper their managerial effectiveness. A multiplicity of new counties would eventually make them ungovernable. In this regard, new county formation would aggravate the citizens' current frustration with the effectiveness and responsiveness of their governments.

Social Impact

Regardless of the motivations of the leadership, the new county formation movements would have a completely divisive social impact.

The new counties would create local political divisions between the poor and the affluent. Although no area in the region is fully exempt from poverty, the most concentrated core of poverty in the region is in central, south central, and southeast Los Angeles.

In South Bay County, for example, about 4% of the population receives some form of welfare. In Peninsula County, less than 1% of the population receives some form of welfare. In contrast, nearly 16% of the total Los Angeles County population receives welfare. In central, south central, and east central Los Angeles the percentages range from 27% to 54%.

Political isolation of the poor is not an irrelevant indicator of a community's health. As we mentioned above, and stressed repeatedly in our reports on the New York City crisis and Los Angeles County government, the financial condition of our cities and counties has deteriorated because of both internal causes and external causes. In our report on the causes of crisis in Los Angeles County, and in the report of the Mayor's Blue Ribbon Committee on the same question, the growth of outlying communities at the expense of the center was cited as a major cause of financial stress. New County formation by petition is the last word in growth of outlying areas at the expense of the center.

Scholars have constructed hardship indices for major cities and urbanized areas in the United States. Cities in metropolitan areas that have a more distinct city-suburb division, such as Baltimore, Newark, Detroit, and others in the northeast rank high in terms of hardship indices. The

suburbs are much better off than the central cities, even when the suburbs are relatively poor themselves in comparison to the rest of the nation.

The City of Los Angeles tends to fare well on such indices because the city contains many of its own affluent suburbs. In addition to the suburbs within the city, there are surrounding suburbs in the remainder of the County which both depend on the city and support it. Political division of the central core from these suburbs would intensify the relative disparity between the two. Subsequent deterioration of the inner core would accelerate flight to the suburbs and increase the poverty of the core relative to the suburbs.

Of all areas affected by secession the City of Los Angeles has the most to lose. One booster group has adopted the symbol the "Big Orange" for Los Angeles. If the secession movements succeed, the "Big Orange," like the "Big Apple" will need much more than an advertising slogan to rejuvenate its dying core.

To avoid such fiscal catastrophe new formulas for spreading the burden of these costs over affluent suburban areas would be necessary. State and federal governments would have to create new taxation systems to shift part of the burden back on those areas, whether through income taxes, taxes on consumption, statewide property taxes, commuter taxes, or a combination of these. Thus, while new county areas may enjoy a short-run tax reduction, in the long run they may find themselves more heavily taxed. In addition the deterioration of the urban core would eventually lead to decline in employment with attendant adverse effects on the suburbs, including the new counties. The consequence would be higher social and political costs for everyone in the region.

Regionalized Services

Creation of new counties in Los Angeles would fragment regionalized governmental services. In the next section of this report we use indicators of the demand for regionalized services as a measure of interdependence among various areas in the County. For example, because of specialized resources available downtown at USC-County General Hospital, or at St. John's Hospital in Santa Monica, people go to those communities from everywhere in the region to use the services.

One could also point out that the citizens of outlying areas use central facilities and programs because the County has not made them available in the outlying areas. This was part of the argument for the 1976 proposal to form Canyon County. Proponents believe that one indicator of the remote and unresponsive character of County government is its failure to decentralize services. Although the focus in these cases was on such primarily local issues as zoning and building inspection, other regional services such as social and health services were also involved.

Therefore, proponents claim that forming new counties would increase the level of service available to their citizens. The new county would be legally required to provide necessary health and welfare. This would effectively decentralize the service to the community.

We disagree with this view. Decision making, the choice of provider, and financing would be decentralized to the local area by formation of new counties. Nevertheless, the service itself may be so specialized, it would have to remain centralized unless the new county chose to pay the cost of installing and operating underutilized specialties. The new county would have three basic options: 1) provide the service itself, 2) go

without the service, or 3) purchase the service from a neighboring county.

Providing the service itself would not be a feasible option for any of the proposed counties which have qualified for an election. For example, South Bay and Peninsula Counties generate only a fraction of the total caseload of the county for mental health services. Establishing a new full range of mental health services to deliver 19,000 service units in South Bay County and 900 in Peninsula County, with all the facilities, programs and overhead involved, would clearly be more costly than purchasing the service from a neighboring jurisdiction. Once a purchasing arrangement was made, however, the dependence of the new county's residents on the provider county would be reinforced. Clients of the programs would travel to the neighboring county for services.

The situation with major institutional care facilities would also be severe. The South Bay County Formation Review Commission estimated that the new county would need a jail with sufficient capacity to house 400 prisoners. The new facility of 160,000 square feet would cost the new county \$24 million. The alternative would be a contract with Los Angeles County to provide the detention facilities. Once such contract arrangements are made, the new county's dependence on the provider county would again be reinforced.

Multi-County Regions

In the preceding sections we have stressed the interdependence of communities within the region, and emphasized the complexity of regional governmental systems as an element in determining responsiveness. None of

the proposed new counties is a region in a geo-physical sense (air and water quality) or in a socio-economic sense (dependence on the remainder of the region for jobs, shopping, other economic goods, and public service.)

Proponents of new county formation and others may reasonably ask whether Los Angeles County itself is a region. The answer is no. Los Angeles County is not a region in a geo-physical sense or in a socio-economic sense. Therefore, county government does not serve a region and cannot act properly as a regional government. State and regional agencies have long recognized this fact. For years they have defined the region as including the counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura.

In its "Fiscal Implications of Recent Development Trends in the SCAG Region," the Southern California Association of Governments (SCAG) showed that the central County, Los Angeles, and its central City have been at a disadvantage since 1970 relative to the remainder of the region. Population, employment, housing investment, and real property valuation have declined in Los Angeles relative to neighboring counties, while public assistance expenditures, unsound or aging housing, and property taxes have increased. We conclude that the growth in outlying areas is taking place at the expense of the central areas.

As we pointed out in our report on the "New York City Crisis and Los Angeles County Government" in May, 1976, this can be a source of fiscal crisis for the central government. The population left behind in the central areas has a high concentration of needy people. Consequently, public service costs rise at the same time as tax base declines. Residents of the outlying suburbs continue to benefit from the center - from employment there and from regional governmental services - but the dependence of the tax

structure on jurisdictional boundaries eliminates any tax contribution. Eventually, the central area will collapse financially, as New York City has, and the economic base of the entire region will decline.

Los Angeles County, for example, had 74% of the employment in the region in 1976. According to current estimates it provided 200,000 jobs to residents of Orange County. In 1975, Los Angeles had 67% of the population in the region, but 80% of the expenditures in public assistance programs. The drain of people and resources from Los Angeles County to other counties in the region results in an increasing concentration of the needy population in Los Angeles at the same time the tax base declines. In fact, most of the variation in property tax rates among the five counties is explained by the proportion of population receiving public assistance.

The proposed new counties would have about the same relationship to Los Angeles County as the other four counties do now. They would be relatively dependent communities within the metropolitan region. Their lower tax rates and affluent populations would attract investment away from Los Angeles County. They would, therefore, aggravate the current drain.

The basic change needed in local government, therefore, is not to create new counties to feed off Los Angeles, Rather, what is vitally needed is a restructuring of governmental responsibilities and associated tax base to insure that all those who share in the social and economic benefits of the region also pay their share of its social and economic costs, and that responsive governmental systems begin to solve the major problems confronting our society.

IV. COUNTY FORMATION PROPOSALS

To our minds the evaluation of any proposal to form a new county should center on the question of the potential that it offers to improve local government in this region. Our approach was to analyze both the advantages and disadvantages of each individual proposal. To this end, in this section we discuss the effect that each proposal would have on governmental responsiveness, on the structure of government, and on the social and economic health of the metropolitan region. In each case, county formation would benefit the area itself but have adverse effects on the metropolitan region. The most significant benefit would be improved representation and access to government officials because of reduced size. New counties would also create an environment more conducive to innovation and improved use of technology. Their governments could implement changes that have been resisted in older, well-established counties. Finally, most of the new counties would benefit from a property tax reduction.

Despite these advantages our review of the available information convinced us that in each case secession would aggravate the problems in the region rather than solve them. In our opinion, county boundaries should be set so that county government serves a geo-physical region which is also self-contained in a social and economic sense. As we emphasized in Section III, Los Angeles County itself is too small and too interdependent with neighboring counties to be called a region. Yet it is much more self-contained than any of the proposed counties. For example, Los Angeles County employers could employ 94% of the total available labor force in the county. In contrast, the comparable figures for the proposed counties range from a low of 17% to a high of 73%.

South Bay County

South Bay County would consist of the beach front cities El Segundo, Hermosa Beach, Manhattan Beach, Palos Verdes Estates, Redondo Beach, and Torrance. In addition, two small unincorporated islands would be included. Total population is 280,000 or 4% of the total County population. Each of the cities is a full service independent city, in the sense that none contracts with Los Angeles County for most of its services. However, Hermosa Beach and Manhattan Beach belong to the County Library system, and each of the six cities contracts with the County's Road Department and Personnel Department for some services.

Formation of a new county in the South Bay would have three principal advantages.

First, the residents of South Bay County would receive a significant property tax reduction. The County Formation Review Commission predicts a \$1.45 tax rate by June, 1980. The tax rate for Los Angeles County is \$4.25, which amounts to about 33% of the total tax rate, including schools and special districts. The reduction of 66% in the County rate, from \$4.25 to \$1.45, amounts to a 25% reduction in total taxes.

Second, a new county in the South Bay could avoid some of the structural weaknesses in the current system in Los Angeles. The two islands of unincorporated territory are small enough so that the new county could reasonably contract with adjacent cities to provide services there. Thus, the new county could discharge its responsibility to perform municipal services in unincorporated areas by using "reverse contracting." The new county could therefore eliminate provision of direct municipal services by county government. In addition, the new county could avoid charging its citizens for services

rendered to non-residents by introducing a system of user revenues to support its regional services, such as beaches.

Third, the new county could limit its functions to those with general, regional applicability to all the cities within its borders. That is, it could function as a regional umbrella government concerned with standard setting, taxation policy, and income distribution within the six cities. Consequently, there could be a perceptible improvement in responsiveness, since the relationship between citizens, cities, and the county would be greatly simplified.

Even with these advantages, South Bay County could not resolve the basic structural problems of local government. The area is in no sense a self contained region. This fact is clear from the information shown in the table on the following page summarizing the area's dependence on the remainder of the region for jobs, private goods and services, and public services.

The information in the table demonstrates that the citizens of the proposed South Bay County derive multiple benefits from the metropolitan region. Moreover, there is no reasonable way to eliminate or restrict most of these benefits subsequent to political separation by formation of a new county. Use of regional public services by residents of the new county could be arranged by contract, thus guaranteeing that they would compensate the remainder for tax supported health care. But no arrangement, short of such bizarre tax alternatives as local payroll or commuter taxes and toll roads, could compensate for the overall economic dependence of the South Bay area on the region. In short, after formation of South Bay County, its citizens would continue to depend on the remainder of the metropolis but cease to support it with locally generated taxes.

INTERDEPENDENCE OF SOUTH BAY AND REGION

<u>Criterion</u>	<u>Explanation</u>
Job Deficit	South Bay County employers could employ at most 73% of its labor force, assuming that every worker in South Bay also lived there.
1970 Trip to Work	In 1970, 30% (42,000) of the workforce from South Bay County worked in the City of Los Angeles, the City of Long Beach, or another county. The actual percentage working elsewhere is higher. A precise figure is not available for the areas in Los Angeles County outside of South Bay, Los Angeles, and Long Beach.
All Trips	More than one-third of the trips for all purposes originating in South Bay terminate elsewhere, while two-thirds of the trips ending there originate elsewhere.
Use of Regional Mental Health Services	The County annually delivered about 19,000 units of mental health service to residents of South Bay County in 1976.* Of this, only 18% is delivered by programs located in South Bay County. These programs are nearly saturated by residents of the area, who constitute 95% of their caseloads. Therefore, the excess demand is met by programs outside the area.
Use of Regional Hospital Services	County hospitals served 9,400 clients from South Bay County in 1977, all in hospitals outside the area.
Use of Regional Law Enforcement Services	Nearly 97% of the 350 adult prisoners in County custody pending trial in South Bay County were arrested outside the South Bay County area.

* A unit of mental health service represents a specific amount of time spent serving a client. The amount of time represented by a unit for inpatients differs from the time represented for outpatients. Thus, the measure we use is an aggregate indicator of demand that contains no information on the nature of the service.

The South Bay County area presently contributes tax resources in the public sector which exceed its need for public services. The table below summarizes our information on the share of the local tax base attributable to South Bay County and on its share of demand for high cost County services.

SOUTH BAY COUNTY RESOURCES AND SERVICE NEEDS

<u>Share of Tax Base</u>	<u>Amount</u>	<u>% of County Total</u>
Property Tax Base (1976)	\$1.4 billion assessed	6.0
Sales Tax Base (1977)	\$1.7 billion transactions	6.0
Taxable Income (1974)	\$1.5 billion gross	4.7
<u>Share of Demand</u>		
Welfare Caseload (1977)	11,500 persons	1.0
Hospital Caseload (1977)	9,400 patients	2.7
Mental Health Units (1976)	19,000 units	2.2
Users of County Cultural & Recreational Centers*	(depends on service)	3.0

It is clear from the table that, considering public services by themselves, South Bay County taxpayers contribute more in tax base than they receive in service. We emphasize, however, that their net tax contribution should not be isolated from the contribution of the region as a whole to their economic welfare.

The interactions and interdependence of South Bay County with the remainder of the region, as demonstrated in the previous two tables, shows clearly that the area cannot be considered a region. It is a community of cities within metropolitan Los Angeles. The political isolation of its citizens from the remainder would make it a non-contributing suburb, but

*Based on our review of patronage statistics for the Music Center and Regional Parks.

would not sever its ties with the rest of the area. In addition, the absence of excess capacity in public health and welfare services available in South Bay would require the new county to arrange for services with the remainder or to create new resources.

Formation of South Bay County would also have the impact of creating political separation of a relatively affluent, predominantly white community from the relatively poor remainder. The information in the following table shows that, while South Bay County is not exempt from poverty, it is considerably more affluent than the region as a whole.

RELATIVE AFFLUENCE OF SOUTH BAY COUNTY

<u>Indicator</u>	<u>South Bay County</u>	<u>Los Angeles County</u>
Median family income (1974)	\$16,600	\$13,500
Welfare recipients per 100,000 population (1977)	4,070	15,850
Percent of households meeting poverty criteria (1970)	4.0	8.2
Percent of area population using County hospitals (1977)	3.3	5.0
Units of mental health service per 100,000 population (1976)	6,818	14,952
Music Center Patrons per 100,000 population (1977)	1,920	1,870

The County-wide averages in the table do not provide as stark a contrast as comparable figures for the poorest areas in the City of Los Angeles that would be left behind by South Bay County formation. For example in South Central Los Angeles the median family income in 1974 was \$9,400. South Central had 53,610 welfare recipients per 100,000 population in 1977, consumed 19,300 units of mental health service per 100,000 population, and sent

12% of its population to County hospitals. Between 1970 and 1976, South Central lost 5% of its population, while South Bay County gained 2% and the County as a whole remained stable.

We oppose the formation of South Bay County. Its advantages would be, at best, marginal. Prediction of its positive effects in the area itself is highly speculative. Its adverse impact on the region as a whole would be severe.

Peninsula County

The proposed Peninsula County consists of territory on the Palos Verdes Peninsula. The area consists of the three cities, Rancho Palos Verdes, Rolling Hills, and Rolling Hills Estates and small unincorporated areas. It is one of the fastest growing areas in the County. Between 1970 and 1976 the population increased 22% from 42,620 to 52,200. The County Formation Review Commission for Peninsula County estimates the current population as 55,000 or 0.7% of the total County population. At present, the three cities purchase most required municipal services from the county. The entire area is in the Consolidated Fire Protection District and the County Public Library System.

The advantages of a new county in the Palos Verdes Peninsula would be significant property tax reduction for its residents and some improvement in the responsiveness of County government.

The County Formation Review Commission predicts a property tax rate of \$1.14 by June, 1980. The 73% reduction in the county share of the taxes results in a 24% reduction in total taxes.

New county formation would improve responsiveness because the number

of voters represented by a single supervisor would drop to 3500 from the present average of 640,000. The improvement in representation, however, would have only marginal impact on the quality of government in the area, since the new county could have no practical function except to act as an intermediary with Los Angeles County,

The adverse impact of Peninsula County formation on the region would be relatively more severe than that of South Bay County. The area is less qualified than South Bay as a region. It is also a more affluent area, relative to its size, than South Bay and would represent a somewhat smaller, but even more inequitable fragmentation of the regional tax base than South Bay. Finally, as a community, the Palos Verdes Peninsula is more dependent than South Bay on the remainder of the region for the economic welfare of its citizens.

We summarize the dependence of Peninsula County on the remainder of the region for general economic goods, for jobs, and for public services in the table on the following page. Although the quantity of public service needed by residents is not high, all of it is met outside the area because few facilities or services serving Peninsula residents are actually located there.

Since the Peninsula County area is primarily a residential suburb, the information in the table confirms our expectation of a high degree of dependence on the remainder of the County. The extent of the area's dependence, however, is not immediately obvious. It may be particularly surprising to proponents of Peninsula County, for example that County hospitals treated more than 300 Peninsula residents in 1977 and delivered nearly 900 units of mental health services. Thus, the benefits of the metropolitan region to residents of the Peninsula County area include public services as well as such economic goods as jobs and associated private and public services.

Residents of the area should also note that their affluence does not exempt them from the more general deteriorating conditions of metropolitan society. For example, in its 1978 Crime Control Plan, the Regional Criminal Justice Planning Board notes Rolling Hills as an area of exceptionally high concentrations of such juvenile offenses as running away, truancy, transiency, curfew violations, and other delinquent tendencies.

INTERDEPENDENCE OF PENINSULA AND REGION

<u>Criterion</u>	<u>Explanation</u>
Job Deficit	Peninsula County employers could employ at most 17% of its resident labor force.
1970 Trip to Work	In 1970, 37% of the employed labor force (2900 people) in Peninsula County worked in the City of Los Angeles, the City of Long Beach, or another county. More than 37%, therefore, worked outside of Peninsula County, if we include those working in areas of Los Angeles County that are not in Los Angeles or Long Beach or the Peninsula.
All Trips	About one-third of the trips originating in the Peninsula and South Bay areas terminate elsewhere. About 30% of the trips ending there originated elsewhere.
Use of Regional Mental Health Services	Peninsula County used 900 units of mental health service in 1976, none of it delivered by programs located there.
Use of Regional Hospital Services	Peninsula County sent 329 patients to county hospitals in 1977, none of them treated in Peninsula County.
Use of Regional Law Enforcement Services	Nearly 92% of the 350 adult prisoners awaiting trial in South Bay Courts were arrested outside the Peninsula County area.

Just as the Peninsula depends on the region for jobs and other goods, the remainder of the county depends on the Peninsula as a net contributor of tax resources. The table on the following page summarizes our information on the area's share of tax base and demand for services

PENINSULA COUNTY RESOURCES & SERVICE NEEDS

<u>Share of Tax Base</u>	<u>Amount</u>	<u>% of County Total</u>
Property Tax Base (1976)	\$316 million assessed	1.4
Sales Tax Base (1977)	\$ 44.8 million transactions	0.15
Taxable Income (1974)	\$537 million gross	1.6
<u>Share of Demand</u>		
Welfare Caseload (1977)	133 persons	0.01
Hospital Caseload (1977)	329 patients	0.10
Mental Health Units (1976)	894 service units	0.10
Users of County Cultural & Recreational Centers	(depends on service)	2.0

Peninsula County contributes more in taxes than it receives in services, except for cultural and recreational services. We should note, in this regard, that use of cultural and recreational facilities in Los Angeles is not traditionally limited to County residents. Therefore, if Peninsula County is formed, its large demand for cultural services subsidized by the remainder would be undisturbed, while its net contribution to social welfare costs would be eliminated. In other words, the regional subsidy to affluent users of the Music Center, museums, and regional parks would remain. The balancing tax support to the poor by the affluent would be eliminated.

The contrast between the affluence of Peninsula County and the whole of Los Angeles County is outlined in the table on the following page.

RELATIVE AFFLUENCE OF PENINSULA COUNTY

<u>Indicator</u>	<u>Peninsula County</u>	<u>Los Angeles County</u>
Median Family Income (1974)	\$28,400	\$13,500
Welfare Recipients per 100,000 Population (1977)	250	15,850
Percent of Households Meeting Poverty Criteria (1970)	2.4	8.2
Percent of Area Population Using County Hospitals (1977)	0.6	5.0
Units of Mental Health Service per 100,000 Population (1976)	1,712	14,952
Music Center Patrons per 100,000 Population (1977)	5,033	1,870

Of all the proposed new counties, the Palos Verdes Peninsula provides the clearest demonstration that new county formation is the ultimate in the pattern known as flight to the suburbs. Residents would abdicate responsibility under our current taxing system for supporting those in the lower economic strata of metropolitan society, while still receiving the benefits of metropolis. Paradoxically, by secession the affluent of the peninsula would not escape problems of the metropolis of which they are a part. They would remain targets of criminals, their youth would be under the same pressures as others in the urban area, and some needy persons would continue to live in their area. Peninsula residents would remain dependent on regional government to support them in solving these problems. They would remain dependent on the regional economy to provide them with jobs and other goods. They would continue to participate in regional, cultural, and social affairs. The sole

effect of political separation is that they would withdraw their financial support for the benefits they receive from the metropolitan region.

We therefore oppose formation of Peninsula County. Its adverse impact on the region would be severe.

South Bay II County

A number of leaders in the South Bay and Peninsula areas believe the two proposed counties to be poorly designed, and predict their failure at the polls in June, 1978. Some of the same people, however, believe that the size and unresponsiveness of Los Angeles County is a basic problem of government, and plan to propose an alternative design for forming a South Bay County in 1979. We have named this proposal, which is so far not formally established, South Bay II. Its primary significance is that its supporters believe that proper design of a new county would minimize or eliminate the adverse regional effects of new county formation.

South Bay II would incorporate South Bay and Peninsula Counties as currently proposed. In addition, South Bay II would extend east to the border of Los Angeles and north at least as far as Hawthorne, possibly Inglewood. Since, under present law, city boundaries cannot be crossed by a new county, South Bay II could not legally extend north beyond Westchester. Thus, we have assumed that South Bay II would include all cities and unincorporated territory southwest of the City of Los Angeles. That is, South Bay II would consist of the cities of El Segundo, Gardena, Hawthorne, Hermosa Beach, Inglewood, Lawndale, Lomita, Manhattan Beach,

Palos Verdes Estates, Redondo Beach, Rancho Palos Verdes, Rolling Hills, Rolling Hills Estates, and Torrance. It would include the unincorporated islands southwest of Los Angeles - Baldwin Hills, Ladera Heights, Lennox and Windsor Hills - as well as the unincorporated areas in South Bay and Peninsula Counties as presently designed. The

population of South Bay II would be approximately 659,000 or 9.4% of the total county population. This proposal could qualify for an election if its proponents obtain signatures of 25% of the registered voters in the area.

The advantages of South Bay II would be similar to those of South Bay County. Its formation could eliminate county government as a direct provider of municipal services in unincorporated areas. The new county could operate as a bona fide regional government for all cities within its borders. The new county also could adopt efficiencies that Los Angeles County resists, and could create innovative forms of inter-governmental programming. Finally, because social welfare costs would be lower than they are in Los Angeles County, the property tax rate would be lower.

Proponents of South Bay II are correct in assuming that the new county's adverse social and economic impacts on the metropolitan region would be less severe than those of Peninsula and South Bay Counties as proposed for June, 1978. They are not correct in assuming that these adverse effects are negligible. The area does not qualify as a region and would remain dependent on the remainder of the county from which it would withdraw financial support. The table on the following page summarizes the facts bearing on interdependence.

INTERDEPENDENCE OF SOUTH BAY II AND REGION

<u>Criterion</u>	<u>Explanation</u>
Job Deficit	South Bay II employers could employ at most 62% of the resident labor force.
1970 Trip to Work	In 1970, 37% (120,200 people) of the employed labor force in South Bay II worked in the City of Los Angeles, the City of Long Beach or another county. Therefore, more than 37% worked in parts of the region outside South Bay II.
All Trips	More than one-third of the trips for all purposes originating in South Bay II terminate elsewhere, while two-thirds of the trips ending there originate elsewhere.
Use of Regional Mental Health Services	The county delivered 54,900 units of mental health service to residents of South Bay II in 1976. Of this, 70% was delivered outside South Bay II. These programs are nearly saturated by residents of the area, who constitute 92% of their caseloads. Therefore, the excess demand is met by programs outside the area.
Use of Regional Hospital Services	County hospitals served 24,000 clients from South Bay II in 1977, none of it within South Bay II. Moreover, nearly 8% were treated at USC-Medical Center in downtown Los Angeles, and 74% were treated at facilities in neighboring South Bay II communities, such as Long Beach and Carson.
Use of Regional Law Enforcement Services	Over 26% of the 770 adult prisoners in county custody pending trial in South Bay II were arrested elsewhere in Los Angeles County.

Citizens of South Bay II, derive multiple benefits from the metropolitan region. Political separation of the area would not restrict the general economic benefits. Moreover, we doubt that public service resources available in South Bay II would be sufficient to meet the need for services. For example, as the table shows, the mental health programs in the area are filled

nearly to capacity by residents, but meet only 30% of the total demand generated there.

South Bay II residents contribute more in taxes than they receive in major County services, as the following table indicates.

SOUTH BAY II RESOURCES AND SERVICE NEEDS

<u>Share of Tax Base</u>	<u>Amount</u>	<u>% of County Total</u>
Property Tax Base (1976)	\$2.6 billion assessed	11.6
Sales Tax Base (1977)	\$2.6 billion assessed	8.9
Taxable Income (1974)	\$3.2 billion gross	9.7
<u>Share of Demand</u>		
Welfare Caseload (1977)	55,900 persons	5.0
Hospital Caseload (1977)	24,000 patients	6.9
Mental Health Units (1976)	54,900 service units	5.5
Users of County Cultural & Recreational Centers	(depends on service)	6.3

We again emphasize that considering the economic interdependence shown in the first table, the net contribution of the residents in taxes cannot be isolated from the benefits they receive from the region.

Inclusion of the communities with higher need for county services than Peninsula and South Bay Counties reduces, but does not eliminate, contrasts between the area's social and economic status with the average for the region. This is true even though the addition of those communities more than doubles the number of welfare recipients per 100,000 population.

RELATIVE AFFLUENCE OF SOUTH BAY II

<u>Indicator</u>	<u>South Bay II</u>	<u>Los Angeles County</u>
Median Family Income (1974)	\$16,200	\$13,500
Welfare Recipients per 100,000 Population (1977)	8,470	15,850
Percent of Households Meeting Poverty Criteria (1970)	5.3	8.2
Percent of Area Population Using County Hospitals (1977)	3.6	5.0
Units of Mental Health Service per 100,000 Population (1976)	8,320	14,952
Music Center Patrons per 100,000 Population (1977)	1,580	1,870

South Bay II, extended to include less affluent communities, would result in a less severe separation of the poor from middle and upper income taxpayers than South Bay and Peninsula Counties as currently proposed. Nevertheless, the formation of South Bay II would result in the political isolation of a dependent sector of the metropolitan area from the whole. With the devastating concentrations of social and economic hardship we have in the south central and southeast portions of Los Angeles, formation of South Bay II as a separate county would merely reduce its residents' contribution to the social welfare of the region as a whole. We therefore oppose it.

Canyon County

Canyon County, as proposed, would be 760 square miles of unincorporated territory in the northwest corner of Los Angeles County, including the communities of Acton, Agua Dulce, Canyon Country, Gorman, Newhall, Saugus, Valencia, and Val Verde. The population of the area is approximately 67,000, or 1% of the total county population.

The Canyon County area provides a good example of the deficiencies of the current system related to direct provision of municipal services by county government. Proponents of new county formation cite the lack of responsiveness of county government as the principal reason for their proposal to form a new county. They continue to cite the distance to the county seat in Los Angeles as evidence for their claim, although the county has recently built new service facilities in Valencia. Formation of a new county would improve governmental responsiveness, they claim, and bring the government closer to residents.

Their claims have some validity. Supervisor Baxter Ward, who represents the Canyon County area must respond to 103,400 voters in unincorporated territory with regard to direct local services, as well as to 400,000 voters in the district concerning general county policies and programs. The 24,300 voters in Canyon County cannot compete well in numbers for the Supervisor's attention, and their distance from the central city makes day to day participation in government extremely difficult. Yet, because there is no city in their area, it is county government which makes the day to day decisions affecting their lives in matters of zoning, building regulation, sewerage, local parks, police patrol, and street maintenance. In a new county, the county seat would be much closer and each supervisor would represent approximately 5,000 voters. Local control, and very likely citizen participation, would be much improved.

Canyon County residents also have cause to complain about taxes. In this relatively affluent area, their tax base is substantial, although much of

the land is so far undeveloped. But the total tax rate in the area is among the highest in the county, partly because of county-operated special districts.

Nevertheless, we oppose formation of Canyon County because of its fragmentary effects on the region. Like the other new county formation areas, it depends on the remainder of the county for jobs, for more general economic goods and services, and for regional public services which cannot be economically decentralized to the area. The factual basis for our conclusion is summarized in the following table.

INTERDEPENDENCE OF CANYON COUNTY AND REGION

<u>Criterion</u>	
	Canyon County employers could employ at most 58% of its resident labor force.
Job Deficit	In 1970, 34% of the employed labor force (7,000 people) worked in the City of Los Angeles, the City of Long Beach, or another county. In addition, 1974
1970 Trip to Work	survey data revealed that 64% of the employed heads of households in the area worked outside of the area.
All Trips	Nearly half of the trips originating in the Canyon County area end elsewhere in the region. Less than 20% of the trips ending in Canyon County originate elsewhere. This indicates that Canyon County residents are relatively more dependent on the rest of the region, than non-residents are on resources in Canyon County.
Use of Regional Mental Health Services	Residents of the Canyon County area used 5800 units of public mental health services in 1976, of which only 36% was delivered in the area.
Use of Regional Hospital Services	Canyon County sent 1,600 patients to county hospitals in 1977. Since there are no county hospitals in the area, all of the service was delivered elsewhere. Most (85%) was provided by county hospitals in the Antelope and San Fernando Valleys. However, 12% of the service was provided downtown, by the County USC Medical Center.
Use of Regional Law Enforcement Services	About 8% of the 150 adult prisoners in county custody pending trial in the Canyon County area were arrested elsewhere.

Explanation

Canyon County thus depends on the rest of the region for its economic welfare. Internally, it cannot provide enough of the economic activity needed to support its residents.

On the other hand, the area appears to be a net provider of tax resources, as illustrated in the following table:

CANYON~COUNTY RESOURCES AND SERVICE NEEDS

<u>Share of Tax Base</u>	<u>Amount</u>	<u>% of County Total</u>
Property Tax Base (1976)	\$222 million	1.0
Sales Tax Base (1976)	\$182 million	0.6
Taxable Income (1974)	\$305 million	0.9
 <u>Share of Demand</u>		
Welfare Caseload (1977)	3,475 persons	0.3
Hospital Caseload (1977)	1,590 patients	0.5
Mental Health Units (1976)	5,770 service units	0.6
Users of County Cultural & Recreational Centers	(depends on service)	0.3

The area provides about 1% of the county's revenue from major local sources, but represents only .3% - .6% of the demand for the most costly of county services. As we pointed out in Section III, however, Canyon County is a high fire hazard area, and as a consequence may demand fire protection capabilities in excess of its contribution.

We have pointed out the invalidity of reasoning that reaches "subsidy" conclusions based on public expenditure data. In 1976, when the first

attempt to form Canyon County went to a vote, the subsidy issue became a central

controversy. Proponents contended that Canyon County receives a subsidy from the remainder; opponents argued that Canyon County subsidizes the remainder. It became a campaign issue because of the belief that a clear demonstration of subsidy in one direction or the other would influence voters in the remainder of the county.

In terms of tax dollars alone, the subsidy issue would depend on detailed accounting of fire protection costs and other special needs in the area. But the issue is beside the point. If a new county is formed, the tax contribution of the area will be removed, but its essential dependence on the region for economic goods and for public services will remain. This factor renders consideration of mere tax subsidies irrelevant.

Some proponents contend that the dependence of Canyon County on the remainder of the area would decline over time, as new county formation is followed by commercial and industrial development. This is, we agree, a possibility. But if the character of the area changes enough to double the number of jobs available, the residents will have to forego their declared intent to maintain a rural atmosphere, minimize development, and preserve current land use patterns. Industrialization of the area would be inconsistent with current plans and with the expressed wishes of area citizens. Therefore, for jobs and economic benefits, the area will remain dependent on the region.

Similarly, Canyon County residents are likely to remain dependent on the region for public services, even though their demand for regional public service is not high. To the extent it uses the service, it is

dependent on the remainder. This dependence could only be eliminated in one of two ways

(1) provide the service program in the area, or (2) eliminate all public financing of the service. In such a service as hospital care the first alternative would be prohibitively expensive relative to demand. The second alternative would force users, including medical indigents, to pay the full cost of hospital care and would thus be impractical. These alternatives would also apply to a new county. For the users of hospital services, the ultimate provider would still be Los Angeles County, probably through a contract arrangement.

The population of the Canyon County area is more affluent than the remainder of the region. We summarize the factual basis for this conclusion in the following table.

RELATIVE AFFLUENCE OF CANYON COUNTY

<u>Indicator</u>	<u>Canyon County</u>	<u>Los Angeles County</u>
Median Family Income (1974)	\$16,400	\$13,500
Welfare Recipients per 100,000 Population (1977)	5,560	15,850
Percent of Households Meeting Poverty Criteria (1970)	4.0	8.2
Percent of Area Population Using County Hospitals (1977)	2.4	5.0
Units of Mental Health Service per 100,000 Population (1976)	8,554	14,952
Music Center Patrons per 100,000 Population	900	1,870

The relative affluence of Canyon County residents is not as different from County-wide averages as that of such other new county areas as the Palos

Verdes Peninsula and the South Bay. Nonetheless, Canyon County is a wealthy area,

compared to the region as a whole. Political separation would be the equivalent of creating a relatively affluent enclave, dependent economically on the region, but with little responsibility to contribute to the social costs of the metropolis.

In addition, like the other new county formation areas, Canyon County is a suburb that is still growing, in contrast to declining central areas and the relative stability of the county as a whole. Population in Canyon County grew 24.5%, from 54,163 to 67,451, between 1970 and 1976. In contrast, the population in South Central Los Angeles declined by 5% from 505,963 to 481,287, and the population of the county as a whole remained stable.

We oppose Canyon County, not because we disagree with proponents' complaints about the service and responsiveness of Los Angeles County, but because formation of a new county in the area will only aggravate the basic structural problems of government in the region.

The Canyon County area is interdependent with the metropolitan region. Severing political ties with Los Angeles County will not eliminate this fact, but will merely reduce the citizens' contributions while retaining their essential dependence. The area would be better served by formation of city governments, which could be more effective and responsive than the county in delivering local services.

San Fernando Valley City - County

The San Fernando Valley proposal to form a new city and county includes that part of the City of Los Angeles that lies in the valley. It excludes the

cities of Burbank, Glendale, and Hidden Hills, and would include no unincorporated

territory. The population of the area is 1.0 million, or 15% of the total county population.

In order to form a separate county under present law, the valley must first separate from the City of Los Angeles. Our analysis in this report is limited to the formation of a new county. Our next report will contain an analysis of the incorporation of a new city in the valley. Our opposition to formation of a new county in no way implies that we oppose a new city. The incorporation of new cities is an entirely different question from the issue of new county formation. Reduction in the size of Los Angeles City and formation of a new city in the San Fernando Valley may be advantageous to government in the region.

Proponents of city-county formation in the valley believe that residents there pay for duplicated city and county services from which they do not benefit. They complain of the lack of responsiveness of the city and county governments to their demands for equitable treatment. They believe that they pay unfairly for social problems in the inner city, which receives more than its share of all services.

"Duplication of service" is sometimes used incorrectly as a catchword in criticizing the territorial structure of local government. The observation, for example, that both the city and the county have police departments is correct, but does not by itself justify the assumption that the departments duplicate one another. They provide similar services, but to different people in different territory. Moreover, they provide some services which are different in character. For example, the Sheriff provides regional custody, detention, and court support functions, none of which are also provided by the city. The same reasoning applies

to other services, such as fire protection, road maintenance and animal control, which appear duplicative on the surface.

This is not to say, of course, that there is no duplication. Duplication of services can and does arise out of two situations: 1) when the effective service area of specific city and county programs, such as police patrol units, overlap because of city boundaries, and 2) when the two agencies provide similar regional services benefiting non-residents, such as parks, libraries, police training, and crime laboratories.

Formation of a new city-county in the San Fernando Valley would not eliminate either form of duplication. It would simply add to it. The duplication which arises from the structural weaknesses in a system with two massive regional governments delivering local services would be extended to three such governments:

City-County of San Fernando Valley	1.0 million population
City of Los Angeles (remainder)	1.7 million population
Unincorporated Los Angeles County	1.0 million population

While the structural problems would be aggravated, for the region as a whole, it is true that the change of boundaries would affect the responsiveness of government for valley residents. Proponents of city-county formation have reason to complain about responsiveness, because of both the difficulty of access to public officials and the complexity of governmental services.

Formation of the city-county would improve access, and could improve it substantially. Not only would the population be smaller, but the charter for the city-county could provide for a Board of Supervisors with more than

five members. Although the increased representation would improve local responsiveness,

the overall responsiveness of government structure in the region would decline. The new government would further complicate the overly complex multi-agency system we have to address regional problems.

San Fernando Valley residents contend, as do other city residents, that they pay unfairly for county services which they do not receive, because the county finances some of its direct services to unincorporated areas with county-wide property taxes. Opponents of this point of view say that if there are any such payments, they are more than balanced in value by free services of county departments to city governments and city residents. This controversy is the subject of current litigation.

If San Fernando Valley City-County is formed, this issue would be resolved since residents of the new city-county would no longer contribute property taxes to Los Angeles County and the new county would not contain any unincorporated area.

Nevertheless, as with the other secession areas the issue of interdependence still remains, together with the related issue of whether valley residents subsidize other areas of the region. When we initially reviewed the proposal for political separation in the valley, we thought it might represent an area that could be viewed as a region. Based on the statements of proponents, and our initial review of data, it seemed that most valley residents also work in the valley and conduct their business in the valley. In addition, it seemed that the general economy of the valley would be no more affluent than that of the region as a whole. It includes Pacoima and Lakeview Terrace, which have low income and high need

populations, and its overall population appears to be from the middle income group. None

of these initial impressions was confirmed by the facts.

Although we sympathize with valley residents' frustration with the financing and structure of local government we cannot support the proposal to form a new county there. The area is not a region. It is dependent on the remainder of the metropolitan area for jobs, and its residents use some of the public services provided elsewhere in the region. Moreover, like the other new county formation areas, the valley is a growing, relatively affluent community.

The interdependence of the San Fernando Valley and the region is summarized in the two tables on the next page.

From the first table, it is clear that valley residents are dependent on other areas for jobs. General economic activity, as represented by trip data, shows less dependence in the valley than in such other secession areas as Canyon County, but 25% of all trips is significant nonetheless (600,000 daily person trips). The rest of the information on dependence of the valley on the remainder of the county supports the same conclusion. Although the valley is less dependent than some other areas on the remainder of the city and the county, it is nevertheless dependent. Its dependence on the rest of the city and county for jobs is particularly clear, since valley employers could employ, at most, 61% of the valley's resident labor force. It is true, the valley pays more than it receives in the most expensive County services as valley leaders of political separation claim. However, the contrast between the valley's contribution to tax resources - 11% to 15% - and its contribution to the demand for services - 9% to 16% - is not as great as the contrast in other areas.

Computation of an exact net subsidy figure for the valley would require a precise

accounting of all benefits received and costs paid in both the private sector - jobs and economic activity - and the public sector - taxes and public services. The information in the two tables shows that political separation would eliminate the valley's contribution of tax resources to the region. But it would not affect the valley's basic dependence on the metropolitan economy of the region.

As we have emphasized throughout this report, the idea of tax subsidy is an overly simplistic approach to the financial structure and fiscal systems in a metropolitan region. The areas are too interdependent. Eliminating tax subsidies entirely would require governments to collect the full cost of a service from all individuals receiving the service. As it did in New York this would involve such alternatives as commuter taxes, payroll taxes, transaction and exchange taxes and other systems designed to collect from anyone receiving a service because he or she has crossed a jurisdictional boundary.

The table on the following page demonstrates the valley's affluence relative to the rest of the County and City. Again, the contrast between the valley and the remainder is less severe than the contrast in other seceding areas. Nevertheless, the valley is principally an affluent suburb of the region. It contains some areas with high need population, such as Pacoima and the City of San Fernando, but it also contains communities such as Tarzana, Granada Hills, and Encino, which were found by the City's Community Analysis Bureau to be among the most affluent in the area.

INTERDEPENDENCE OF SAN FERNANDO VALLEY AND REGION

<u>Criterion</u>	<u>Explanation;</u>
Job Deficit	San Fernando Valley employers could employ at most 61.3% of the resident labor force, assuming that every employed person worked within its boundaries.
1970 Trip to Work	In 1970, 28.5% of the labor force (127,400 people) worked in downtown Los Angeles or outside the City of Los Angeles. Thus, more than 28.5% worked outside the Valley area.
All Trips	Of all trips into or out of the Valley, 22% - 25%, or 600,000 daily person trips, originate or terminate elsewhere. That is, about 75% of the trips, for all purposes, originating in the Valley also end there
Use of Regional Mental Health Services	The County delivered about 165,000 units of mental health services to Valley residents in 1976. Of this, 18% (or 29,000 units) was delivered elsewhere in the County.
Use of Regional Hospital Services	County hospitals treated 38,000 patients from the San Fernando Valley in 1977. Of these, 86% were treated at Olive View in the Valley. Of the remaining 14%, 12% went to USC-County Medical Center in downtown Los Angeles.
Use of Regional Law Enforcement Services	(Data not available.)

SAN FERNANDO VALLEY RESOURCES AND NEEDS

<u>Share of Tax Base</u>	<u>Amount</u>	<u>% of County Total</u>
Property Tax Base (1976)	\$3.5 billion assessed	15
Sales Tax Base (1977)	\$3.1 billion retail	11
Taxable Income (1974)	\$5.0 billion gross	15
<u>Share of Demand</u>		
Welfare Caseload (1977)	103,820 persons	9
Hospital Caseload (1977)	38,062 patients	11
Mental Health Units (1976)	164,700 service units	17
Users of County Cultural & Recreational Centers	(Depends on Service.)	12

RELATIVE AFFLUENCE OF SAN FERNANDO VALLEY

<u>Indicator</u>	<u>San Fernando Valley</u>	<u>Los Angeles County</u>
Median Family Income (1974)	\$15,700	\$13,500
Welfare Recipients per 100,000 Population (1977)	10,150	15,850
Percent of Households Meeting Poverty Criteria (1970)	5.5	8.2
Percent of Area Population Using County Hospitals (1977)	3.7	5.0
Units of Mental Health Service per 100,000 Population (1976)	16,100	14,950
Music Center Patrons per 100,000 Population (1977)	2,015	1,870

Proponents of a new city-county in the valley initially included the City of San Fernando in their plans. At present, they exclude San Fernando, since it will not be involved in efforts to separate from the City of Los Angeles. Later, when proponents act to form a separate county, the citizens of San Fernando will have a choice of whether to join them or remain in Los Angeles County. Since current law prohibits islands of one county's territory inside another county, keeping San Fernando in Los Angeles County would involve a territorial device, such as a strip of territory from San Fernando to Burbank.

In this report, we have included the City of San Fernando in the analysis of the effects of a new county in the valley. The City's population of 15,200 represents 1.5% of the total valley population. Its inclusion or exclusion has a very slight effect on the measures we have used to evaluate the proposal to form a new county. We should point out, however, that its exclusion would create still another gerrymandered boundary in the region, thus intensifying rather than reducing duplication of services. Moreover, its exclusion would have the effect, although slight, of making the new county in the valley more dependent,

more of a tax revenue donor, and more affluent than a new county including the City of San Fernando.

Chumash County, Santa Monica City-County, Los Cerritos County, and San Gabriel Valley County

Chumash County consists of the unincorporated area in the north coastal region including Malibu, Las Virgenes, Topanga, Calabasas, and Agoura. Santa Monica City-County consists of the present area contained in the City of Santa Monica. Los Cerritos County consists of the Cities of Long Beach and Signal Hill. None of these proposals has been successful in securing the required 25% of registered voters to be placed on the ballot. The new State law, adopted in 1977, requires proposed counties with less than 5% of the total County population to obtain the signatures of 10% of the registered voters in the entire county. The Chumash and Santa Monica areas have much smaller populations than the required 350,000, and therefore would have to satisfy the 10% signature requirement, a task so difficult as to make it extremely unlikely. Los Cerritos County, with a population of approximately 350,000, is large enough to qualify for an election with signatures of 25% of resident voters, but to our knowledge petition circulation has stopped.

The fourth new county proposal would incorporate the San Gabriel Valley, including 28 cities and a large number of small unincorporated areas. The population of the area is 1.26 million, sufficient to qualify it for new county formation under current law.

Since three of these proposals have failed and the fourth is still in the talking stage, we treat them only briefly.

Chumash County is the approximate equivalent of the Peninsula County proposal. It is an extremely affluent area and is almost completely dependent on

the rest of the region.

On the other hand, Los Cerritos County and Santa Monica City-County would have a different type of impact from other proposed counties. Although each contains affluent communities, neither is much more affluent than the region as a whole. Santa Monica is a net provider of jobs to the rest of the County. As a separate county it would lose direct tax support from the remainder of the region, but residents of the remainder would continue to benefit from its supply of jobs and related services. We would question therefore whether it is in the interest of Santa Monica to separate from the County. Los Cerritos has a small, almost negligible, job deficit, but is also a net beneficiary of public services from the rest of the County. Thus, secession would not benefit the residents of the Los Cerritos area in any sense.

The impact of secession in San Gabriel Valley would be similar to that of San Fernando Valley. The area has approximately the same job deficit, but is somewhat less of a donor to the rest of the region. Thus, the financial benefits of secession to San Gabriel Valley would be negligible, but its adverse impact on the region would be severe.